

m/001/027

*Surety posted
this document
returned to
operator 3/19/04*

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
BOARD OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84116
(801) 538-5340

PLEDGE, AND RECLAMATION AGREEMENT

This Pledge, and Reclamation Agreement (Agreement) is entered into by and between BASIN PERLITE COMPANY, INC. (Operator) and the STATE OF UTAH, DEPARTMENT OF NATURAL RESOURCES, DIVISION OF OIL, GAS & MINING (Division).

RECITALS

1. Pursuant to the Mined Land Reclamation Act, '40-8-1 et seq., Utah Code Annotated (1953, as amended) (Act) and applicable rules, the Operator has obtained Permit No. M/001/027 (Permit) from the Division of Oil, Gas & Mining to operate mine known as the Pearl Queen Mine in Beaver County, Utah, (Mine Operation).

2. Upon completion of mining or as may otherwise be required pursuant to the requirements of the Act, complete reclamation of the Mine Operation pursuant to the Permit, the Act, the Reclamation Contract, and applicable rules, is required and is essential to prevent conditions detrimental to the general safety and welfare of the citizens of the

State and to provide for the subsequent use of the lands that have been affected by the mining operations.

3. The Division has reviewed the mine operations and determined the Operator's current reclamation obligation for the Pearl Queen Mine Operation to be \$133,600.00

4. The Operator currently has in place a \$133,600.00 surety bond with American Manufacturers Mutual Insurance Company, (Bond I) that provides for reclamation of the Pearl Queen Mine Operations.

5. The rating on Bond I was determined by the Division to be less than the A-standard (under the A.M. Best's Key Rating Guide) as required by the Rules established by the Board of Oil, Gas, and Mining for Reclamation Bonds.

6. On May 19, 2003 the Division advised Basin that it would be allowed 120 days from that date to obtain alternative bonding.

7. The Operator has offered to provide alternative bonding by continuing the existing Bond I and, in addition, establishing an Certificate of Deposit account in the name of the Division to be held for the benefit of the Division as additional security for the performance of the reclamation obligations of the operator; provided that the Certificate of Deposit shall be established in an initial amount of \$26,720.00 and an additional sum of \$26,720.00 to be added annually until the sum of \$133,600. 00 or such amount as the

Division determines to be necessary to satisfy the bonding obligation is held in a certificate of deposit for the benefit of the Division.

8. The Division has determined that continuation of the existing surety and the establishment of the certificate of deposit as proposed will satisfy the bonding obligations of the Operator under the Permit, Reclamation Contract, and the applicable statutes and rules.

9. The parties desire to set forth herein the terms and conditions of this agreement to satisfy the bonding obligations.

NOW, THEREFORE, in consideration, of the mutual obligations set forth herein and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the parties agree as follows:

1. Operator hereby agrees to complete reclamation of the Mine Operation pursuant to the Permit, the Act, the Reclamation Contract, and applicable rules as they currently exist or as they may be modified hereafter, and to be liable for the costs of such reclamation in event of its failure to satisfactorily complete said reclamation.

2. The release of liability under this Agreement is conditioned upon the successful reclamation of the permit area as provided in the Reclamation Plan for the period of time and in the manner specified in the Act, the applicable rules, and the terms of the Permit.

3. The existing \$133,600.00 surety bond with American Manufacturers Mutual Insurance Company, (Bond I) shall continue and shall remain current during the term of this agreement, and this agreement shall not reduce the obligations of the Surety under BOND I.

4. As an additional surety, the Operator shall establish a certificate of deposit account in the form attached hereto as Exhibit A, and deposit in said account the following amounts that shall be held in the name of the Division and for the benefit of the Division to be used for reclamation as necessary.

- a. The sum of \$26,720.00 shall be deposited not later than November 10, 2003.
- b. The additional sum of \$26,720.00 shall be deposited annually each year for 4 additional years on or before 10th day of November of each year, until the amount deposited is \$133,600.00 or an amount sufficient to fully satisfy the reclamation obligation as determined by the Division.
- c. At such time at the total amount is sufficient to fully satisfy the reclamation obligation as determined by the Division, and with the written consent of the Division, Bond I may be released.

5. The Operator hereby agrees to indemnify and hold the Board and Division harmless from any claim, demand, liability, costs, charge, or suit brought by a third party as a result of the Operator's failure to abide by the terms and conditions of the Reclamation Plan as set forth in the Permit and from any failure to comply with the terms of this Agreement.

6. Upon successful completion of part or all of the reclamation obligations secured hereby, the Operator may request from the Division a final release of part or all of the obligations under this Agreement. Upon such request, the Division shall conduct an inspection to ascertain whether duties and obligations of Basin under the reclamation contract have been satisfied and shall release the amounts held in certificate of deposit account as provided for by this Agreement, the Act, and the applicable rules.

7. The Operator may terminate this Agreement by providing written notice to the Division no less than 120 days prior to the date of termination. The Operator must provide an alternate reclamation surety in a form and amount satisfactory to the Division prior to 30 days before the stated date of termination.

8. If the Operator fails, within the time periods set out in Paragraphs 7 herein, to provide an alternative reclamation surety satisfactory to the Division, the certificate of deposits shall remain in full force and effect and the Division may pursue any available remedies, including, but not limited to: Ordering the operator to cease all operations at the Pearl Queen Mine Operation and initiate and complete all reclamation operations, and forfeiture to the Division of the funds held in certificate of deposit accounts.

9. This Agreement will be governed and interpreted according to Utah law.

10. In addition to any other liability described above, the Operator shall pay reasonable attorney fees and costs incurred by the Division if in any action or suit regarding this Agreement.

11. This Agreement shall be binding jointly and severally upon the Operator and its successors and assigns, including any party who may acquire a material and substantial ownership interest in a major asset or subsidiary entity, or may acquire material and substantial ownership or control of the Operator or a subsidiary entity as a result of a sale, exchange or other transfer of the assets of the Operator, including such transfers as security, foreclosure of security agreements, or other assignment agreements with the Operator. Such assignments of ownership shall include any exchange, sale, other transfer of stocks, bonds, evidences of indebtedness, or other attributes of ownership that materially effect the control and ownership of the corporation, its subsidiaries, or any major mining properties or assets. Any such transfer is subject to the posting of acceptable substitute surety and the applicable statutes and rules of the Division.

EXECUTED BY THE PARTIES intending to be bound hereby on the dates indicated below.

BASIN PERLITE COMPANY, INC.

By William R. Wilson

Name William R. Wilson

November 10, 2003

Date

Title President

STATE OF Utah)

) ss.

COUNTY OF Salt Lake)

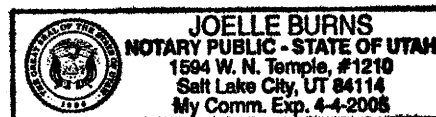
On the 10th day of November, 2003, personally appeared before me
William R Wilson, who being by me duly
sworn did say that he/she, the said William R Wilson is the
President of Basin Perlite Company, and that said instrument
was signed in behalf of said corporation by authority of its bylaws or a resolution of
its board of directors.

My Commission Expires:

April 4, 2005

Joelle Burns
Notary Public

Residing at: SLC, UT



DIVISION OF OIL, GAS & MINING

By Lowell Braxton

for **Lowell Braxton, Director**

Nov. 14, 2003
Date

APPROVED AS TO FORM:

Steven F. Alder

Steven F. Alder

Assistant Attorney General

Attorney for Division of Oil, Gas & Mining

Revised by W.R. Wilson to current typographical and formatting errors, 11-4-03.

FORM MR-RC
Revised January 30, 2003
RECLAMATION CONTRACT

File Number M/001/027
Effective Date May 28, 2003
Other Agency File Number BLM

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

*Replaced
2/17/2004
Returned to operator
3/19/04*

RECLAMATION CONTRACT
--ooOoo--

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/001/027</u>
(Mineral Mined)	<u>Perlite</u>
"MINE LOCATION":	
(Name of Mine)	<u>Pearl Queen</u>
(Description)	<u>about 15 miles NE of Milford</u>
	<u>Beaver County, Utah</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>28.71 acres</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Basin Perlite Company</u>
(Address)	<u>2160 Republic Plaza</u>
	<u>370 17th Street</u>
	<u>Denver, CO 80202</u>
(Phone)	<u>720/904-1900</u>

RECEIVED

MAY 07 2003

DIV. OF OIL, GAS & MINING

"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

CT Corporation

50 West Broadway

Salt Lake City, UT 84101

801/364-5101

"OPERATOR'S OFFICER(S)":

William R. Wilson - President

Ryan Bennett - Treasurer

Brian Dolan - Secretary

SURETY":

(Form of Surety - Attachment B)

Surety

"SURETY COMPANY":

(Name, Policy or Acct. No.)

American Manufactures Mutual Ins. Co.

"SURETY AMOUNT":

(Escalated Dollars)

133,600

"ESCALATION YEAR":

2007

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Basin Perlite Company the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/001/027 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved Notice of Intention and Reclamation Plan received February 7, 1997. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Basin Perlite Company
Operator Name

By William R. Wilson
Authorized Officer (Typed or Printed)

President
Authorized Officer - Position

William R. Wilson

Officer's Signature

May 2, 2003
Date

STATE OF Colorado)
COUNTY OF Denver) ss:

On the 2 day of May, 2003, William R. Wilson
personally appeared before me, who being by me duly sworn did say that he/she is the
President of Basin Perlite Company and duly
acknowledged that said instrument was signed on behalf of said company by authority
of its bylaws or a resolution of its board of directors and said
William R. Wilson duly acknowledged to me that said
company executed the same.

Michelle Hebert
Notary Public
Residing at Lakewood, Colorado

3-18-07
My Commission Expires:

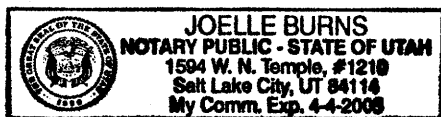
DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

5/28/03
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 28th day of May, 2003, Lowell P. Braxton
personally appeared before me, who being duly sworn did say that he, the said
Lowell P. Braxton is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns
Notary Public
Residing at: S LC Utah

April 4, 2005
My Commission Expires:

ATTACHMENT "A"

Basin Perlite Company Pearl Queen
Operator Mine Name
M/001/027 Beaver County, Utah
Permit Number

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 28.71 acres under the approved permit and surety, as reflected on the attached map labeled Exhibit E and dated March, 2003:

There are two mine areas:

1. Pearl Queen Pit - SESE Sec. 2, T 27 S - R 9 W (17.85 acres)
(State Land)
2. Schoo Pit - SWSW Sec. 1, T 27 S - R 9 W (9.66 acres)
(Federal Land)
3. Haulage Road Between Pearl Queen and Schoo Pits -(1.2 acres)

Total - 28.71 acres

A topographic map showing the lands to be disturbed at a scale of 1" = 400' is attached:

FORM MR-RC
Revised April 4, 2001
RECLAMATION CONTRACT

File Number M/001/027

Effective Date August 22, 2001

Other Agency File Number _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

*Replaced
5-7-03
returned to
operator
3/19/04*

RECEIVED

U.S. DEPT. OF THE INTERIOR

DIVISION OF
OIL, GAS AND MINING

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/001/027</u>
(Mineral Mined)	<u>Perlite</u>
"MINE LOCATION":	
(Name of Mine)	<u>Pearl Queen</u>
(Description)	<u>about 15 miles NE of Milford</u>
	<u>Beaver County, Utah</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>25.16 acres</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Basin Perlite Company</u>
(Address)	<u>1776 Lincoln Street, Suite 900</u>
	<u>Denver, CO 80203</u>
(Phone)	<u>303/863-3922</u>

"OPERATOR'S REGISTERED AGENT":

(Name)
(Address)

CT Corporation

50 West Broadway
Salt Lake City, UT 84101

(Phone)

801/364-5101

"OPERATOR'S OFFICER(S)":

William R. Wilson - President

Ryan Bennett - Treasurer

Brian Dolan - Secretary

"SURETY":

(Form of Surety - Attachment B)

Surety

"SURETY COMPANY":

(Name, Policy or Acct. No.)

American Manufactures Mutual Ins. Co.

[REDACTED]

"SURETY AMOUNT":

(Escalated Dollars)

133,600

"ESCALATION YEAR":

2005

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Basin Perlite Company the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/001/027 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated February 7, 1997, and the original Reclamation Plan dated February 7, 1997. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's

request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Basin Perlite Company
Operator Name

By William R. Wilson
Authorized Officer (Typed or Printed)

President
Authorized Officer - Position

WLR, WL
Officer's Signature

August 6, 2001
Date

STATE OF Colorado)
COUNTY OF Denver) ss:

On the 6 day of August, 2001, William R. Wilson personally appeared before me, who being by me duly sworn did say that he/she is the President of Basin Perlite Company and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said William R. Wilson duly acknowledged to me that said company executed the same.

Michelle Hebert
Notary Public
Residing at Lakewood, Colorado

3-18-2003
My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By Lowell P Braxton
Lowell P. Braxton, Director

8/22/01
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 22nd day of August, 2001, Lowell P. Braxton personally appeared before me, who being duly sworn did say that he/~~she~~, the said Lowell P. Braxton is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~ executed the foregoing document by authority of law on behalf of the State of Utah.



Victoria A. Bailey
Notary Public
Residing at: Salt Lake City, UT

February 29, 2004
My Commission Expires:

ATTACHMENT "A"

Basin Perlite Company
Operator

Pearl Queen
Mine Name

M/001/027
Permit Number

Beaver County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed is:

There are two mine areas:

1. Pearl Queen Pit - SESE Sec. 2, T 27 S - R 9 W (20.3 acres)
(State Land)
2. Schoo Pit - SWSW Sec. 1, T 27 S - R 9 W (4.86 acres)
(Federal Land)

A topographic map showing the lands to be disturbed at a scale of 1" = 400' is attached.

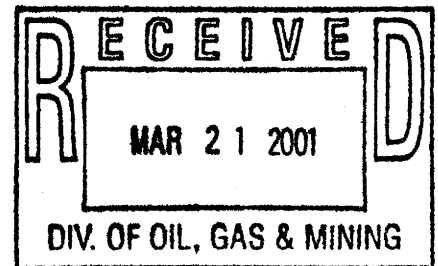
ATTACHMENT B

FORM MR-6
Joint Agency Surety Form
(January 7, 1999)

Bond Number
Permit Number M/001/027
Mine Name PEARL QUEEN PERLITE MINE
Other Agency File Number

*Bond cancelled
Replaced 2/17/04
returned to
operator 3/19/04*

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940



THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned BASIN PERLITE COMPANY as Principal, and AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas and Mining, and the School & Institutional Trust Lands Admin., in the penal sum of FORTY THOUSAND EIGHT HUNDRED AND 00/100 dollars (\$40,800.00).

Principal has estimated in the Mining and Reclamation Plan approved by the Division of Oil, Gas and Mining on the 5th day of August, 19 97, that 10 acres of land will be disturbed by this mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

Page 2

MR-6

Joint Agency Surety Bond

Attachment B

Bond Number

Permit Number M/001/027

Mine Name PEARL QUEEN PERLITE MINE

Other Agency File Number

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by the Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

BASIN PERLITE COMPANY

Principal (Permittee)

William R. Wilson

By (Name typed):

President

Title

William R. Wilson
Signature

March 8, 2001

Date

Surety Company
AMERICAN MANUFACTURERS MUTUAL
INSURANCE COMPANY

Company Officer

ATTORNEY-IN-FACT

Title/Position

Vivienne Douglas
Signature

VIVIENNE DOUGLAS

10375 E. HARVARD, STE 500

Surety Company Address

DENVER, CO 80217

City, State, Zip

FEBRUARY 26, 2001

Date

Page 3
MR-6
Joint Agency Surety Bond
Attachment B

Bond Number [REDACTED]
Permit Number M/001/027
Mine Name PEARL QUEEN PERLITE MINE
Other Agency File Number

SO AGREED this 3rd day of April, 2001.

Lowell P. Braxton
Lowell P. Braxton, Director
Utah State Division of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety Company, such Power of Attorney must be filed with this bond. If the Principal is a corporation, the bond shall be executed by its duly authorized officer.

Page 4

MR-6

Joint Agency Surety Bond
Attachment B

Bond Number

Permit Number M/001/027

Mine Name PEARL QUEEN PERLITE MINE

Other Agency File Number

AFFIDAVIT OF QUALIFICATION

On the 26TH day of FEBRUARY, 19 2001, personally appeared before me VIVIENNE DOUGLAS who being by me duly sworn did say that he/she, the said VIVIENNE DOUGLAS is the ATTORNEY-IN-FACT of AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said VIVIENNE DOUGLAS duly acknowledged to me that said company executed the same, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

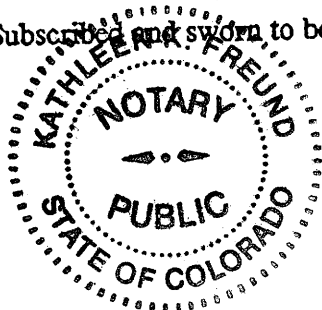
Signed: *[Signature]*

Surety Officer

Title: ATTORNEY-IN-FACT

STATE OF COLORADO)
) ss:
COUNTY OF DENVER)

Subscribed and sworn to before me this 26TH day of FEBRUARY, 19 2001.



Kathleen Freund

Notary Public

Residing at: LITTLETON, COLORADO

My Commission Expires:

JANUARY 15, 19 2003

Home Office: Long Grove, IL 60049

POWER OF ATTORNEY

Know All Men By These Presents:

That the Lumbermens Mutual Casualty Company, the American Motorists Insurance Company, and the American Manufacturers Mutual Insurance Company, corporations organized and existing under the laws of the State of Illinois, having their principal office in Long Grove, Illinois, (hereinafter collectively referred to as the "Company") do hereby appoint

Vivienne Douglas, Edward T. Healy, Lorraine Kehm and Kathleen K. Freund of Denver, Colorado (EACH)****

their true and lawful agent(s) and attorney(s)-in-fact, to make, execute, seal, and deliver during the period beginning with the date of issuance of this power and ending on the date specified below, unless sooner revoked for and on its behalf as surety, and as their act and deed:

Any and all bonds and undertakings *****

EXCEPTION: NO AUTHORITY is granted to make, execute, seal and deliver any bond or undertaking which guarantees the payment or collection of any promissory note, check, draft or letter of credit.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

This appointment may be revoked at any time by the Company.

The execution of such bonds and undertakings in pursuance of these presents shall be as binding upon the said Company as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by their regularly elected officers at their principal office in Long Grove, Illinois.

THIS APPOINTMENT SHALL CEASE AND TERMINATE WITHOUT NOTICE AS OF December 31, 2001

This Power of Attorney is executed by authority of resolutions adopted by the Executive Committees of the Boards of Directors of the Company on February 23, 1988 at Chicago, Illinois, true and accurate copies of which are hereinafter set forth and are hereby certified to by the undersigned Secretary as being in full force and effect:

"VOTED, That the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings, obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

This Power of Attorney is signed, sealed and certified by facsimile under and by authority of the following resolution adopted by the Executive Committee of the Boards of Directors of the Company at a meeting duly called and held on the 23rd day of February, 1988:

"VOTED, That the signature of the Chairman of the Board, the President, any Vice President, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to resolution adopted by the Executive Committee of the Board of Directors on February 23, 1988 and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company."

In Testimony Whereof, the Company has caused this instrument to be signed and their corporate seals to be affixed by their authorized officers, this September 21, 2000.

Attested and Certified:

Lumbermens Mutual Casualty Company
American Motorists Insurance Company
American Manufacturers Mutual Insurance Company

Robert P. Hames



J. S. Kemper III

Robert P. Hames, Secretary

by

J. S. Kemper, III, Exec. Vice President

STATE OF ILLINOIS SS
COUNTY OF LAKE

I, Irene Klewer, a Notary Public, do hereby certify that J. S. Kemper, III and Robert P. Hames personally known to me to be the same persons whose names are respectively as Exec. Vice President and Secretary of the Lumbermens Mutual Casualty Company, the American Motorists Insurance Company, and the American Manufacturers Mutual Insurance Company, Corporations organized and existing under the laws of the State of Illinois, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seals and delivered the said instrument as the free and voluntary act of said corporations and as their own free and voluntary acts for the uses and purposes therein set forth.



My commission expires 1-28-02

Irene Klewer

Irene Klewer, Notary Public

CERTIFICATION

I, J.K. Conway, Corporate Secretary of the Lumbermens Mutual Casualty Company, the American Motorists Insurance Company, and the American Manufacturers Mutual Insurance Company, do hereby certify that the attached Power of Attorney dated September 21, 2000 on behalf of the person(s) as listed above is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said J. S. Kemper, III and Robert P. Hames, who executed the Power of Attorney as Executive Vice President and Secretary respectively were on the date of the execution of the attached Power of Attorney the duly elected Executive Vice President and Secretary of the Lumbermens Mutual Casualty Company, the American Motorists Insurance Company, and the American Manufacturers Mutual Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the Lumbermens Mutual Casualty Company, the American Motorists Insurance Company, and the American Manufacturers Mutual Insurance Company on this

FEBRUARY 26, 2001



J. K. Conway

J. K. Conway, Corporate Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.

SURETY BOND ENDORSEMENT

BOND NUMBER: ~~XXXXXXXXXX~~ - M/001/027

To be attached to and form a part of THE MINED LAND RECLAMATION ACT SURETY Bond, issued by the undersigned
Company as Surety, on behalf of BASIN PERLITE COMPANY
as Principal, and in favor of STATE OF UTAH, DEPARTMENT OF NATURAL RESOURCES as Obligee.

Effective 2/26/01, the Principal and the Surety hereby agree to amend the attached Bond as follows:

FROM: FORTY THOUSAND EIGHT HUNDRED AND 00/100 (\$40,800.00)
10 ACRES

TO: ONE HUNDRED THIRTY THREE THOUSAND SIX HUNDRED AND 00/100 (\$133,600.00)
~~25.16 ACRES~~

*Acres deleted at request of March/Kemper
(bond holder)*

*WLR. Nil
May 2, 2000*

*Bond canceled
replaced 2/17/04
returned to operator 3/19/04*

Provided that the liability under this endorsement shall be part of, and not in addition to, the liability under the attached bond, and in no event cumulative.

Nothing herein contained shall vary, alter or extend any of the provisions, conditions or other terms of this bond except as above stated.

Signed, sealed and dated JULY 31, 2001

Principal: BASIN PERLITE COMPANY

By: WLR. Nil President
Title

Surety: AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY

By: Kathleen K Freund

ACCEPTED:

KATHLEEN K. FREUND

Attorney-in-Fact

Obligee: State of Utah DNR, Division of oil, Gas, & Mining

By: David P. Blufford

Endorsement No.: _____

Director, Division of oil, Gas, & Mining

FK 0613-4 (2-90)

RECEIVED

MAY 07 2003

DIV. OF OIL, GAS & MINING

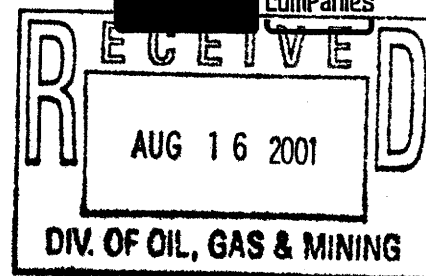
LUMBERMENS MUTUAL CASUALTY COMPANY
AMERICAN MOTORISTS INSURANCE COMPANY
AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY

Kemper

NATIONAL
INSURANCE
COMPANIES

SURETY BOND ENDORSEMENT

BOND NUMBER: - M/001/027



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25.16 ACRES

Handwritten note:
bond cancelled
Replaced
returned to
operator 3/19/04

Provided that the liability under this endorsement shall be part of, and not in addition to, the liability under the attached bond, and in no event cumulative.

Nothing herein contained shall vary, alter or extend any of the provisions, conditions or other terms of this bond except as above stated.

Signed, sealed and dated JULY 31, 2001

Principal: BASIN PERLITE COMPANY

By: *[Signature]* President
Title

Surety: AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY

By: *Kathleen K Freund*

ACCEPTED:

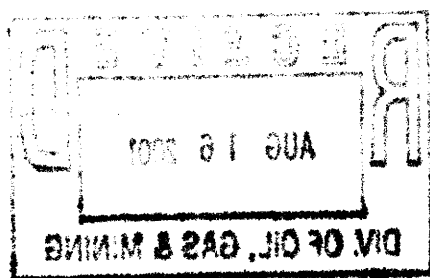
KATHLEEN K. FREUND

Attorney-in-Fact

Obligee: *State of UT, DNR, Division of Oil, Gas, & Mining*

By: *James P Bray* Director
Title

Endorsement No.:



Home Office: Long Grove, IL 60049

POWER OF ATTORNEY

Know All Men By These Presents:

That the Lumbermens Mutual Casualty Company, the American Motorists Insurance Company, and the American Manufacturers Mutual Insurance Company, corporations organized and existing under the laws of the State of Illinois, having their principal office in Long Grove, Illinois, (hereinafter collectively referred to as the "Company") do hereby appoint

Vivienne Douglas, Edward T. Healy, Lorraine Kehm and Kathleen K. Freund of Denver, Colorado (EACH)****

their true and lawful agent(s) and attorney(s)-in-fact, to make, execute, seal, and deliver during the period beginning with the date of issuance of this power and ending on the date specified below, unless sooner revoked for and on its behalf as surety, and as their act and deed:

Any and all bonds and undertakings *****

EXCEPTION: NO AUTHORITY is granted to make, execute, seal and deliver any bond or undertaking which guarantees the payment or collection of any promissory note, check, draft or letter of credit.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

This appointment may be revoked at any time by the Company.

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"VOTED, That the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings, obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

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"VOTED, That the signature of the Chairman of the Board, the President, any Vice President, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to resolution adopted by the Executive Committee of the Board of Directors on February 23, 1988 and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company."

In Testimony Whereof, the Company has caused this instrument to be signed and their corporate seals to be affixed by their authorized officers, this September 21, 2000.

Attested and Certified:

Lumbermens Mutual Casualty Company
American Motorists Insurance Company
American Manufacturers Mutual Insurance Company

Robert P. Hames



J. S. Kemper III

Robert P. Hames, Secretary

by

J. S. Kemper, III, Exec. Vice President

STATE OF ILLINOIS SS
COUNTY OF LAKE

I, Irene Klewer, a Notary Public, do hereby certify that J. S. Kemper, III and Robert P. Hames personally known to me to be the same persons whose names are respectively as Exec. Vice President and Secretary of the Lumbermens Mutual Casualty Company, the American Motorists Insurance Company, and the American Manufacturers Mutual Insurance Company, Corporations organized and existing under the laws of the State of Illinois, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seals and delivered the said instrument as the free and voluntary act of said corporations and as their own free and voluntary acts for the uses and purposes therein set forth.



My commission expires 1-28-02

Irene Klewer

Irene Klewer, Notary Public

CERTIFICATION

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JULY 31, 2001



J. K. Conway

J. K. Conway, Corporate Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.